

# ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Strickland Analyst: Roger Lackey Bill Number: AB 2158  
Related Bills: See Legislative History Telephone: 845-3627 Amended Date: 05-18-2000  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** HRA/Property Value Adjustment/Increase From \$34,000 To \$47,600

### SUMMARY OF BILL

This bill would increase the property value amount that is used to calculate benefits for the homeowners assistance program from \$34,000 to \$47,600 and would increase the property tax equivalent amount for the renters assistance program from \$250 to \$350. This bill also would increase the household income used to calculate the homeowners and renters assistance claims for the 2000 calendar year.

### SUMMARY OF AMENDMENT

The May 18, 2000, amendment deleted the earlier language that would have increased the homeowners exemption by 25% and added the language discussed in this analysis.

The department did not analyze the bill as introduced February 23, 2000.

### LEGISLATIVE HISTORY

AB 1636 (1999/00) proposed an increase in the property value adjustment used to calculate homeowners assistance. This provision was deleted from the bill. SB 1464 (1997/98) proposed increasing the income limits for the homeowners and renters assistance program to properly reflect inflation. This bill remained in Assembly Appropriations, but identical language was enacted in AB 2797 (Stats. 1998, Ch. 322).

### EFFECTIVE DATE

This bill would be effective January 1, 2001, and apply to requests for assistance made for 2001 and future years. However, provisions of the bill require an increase in household income figures for assistance provided for the 2000 calendar year.

### PROGRAM HISTORY/BACKGROUND

Since 1968, California has provided relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters and was based on a property tax equivalent amount estimated to be paid by renters. Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for the program. This program is called Homeowners and Renters Assistance (HRA) and is administered by the Franchise Tax Board (FTB).

#### Board Position:

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#### Department Director

#### Date

Gerald H. Goldberg

6/16/00

### SPECIFIC FINDINGS

The assistance amount under the HRA program represents a partial reimbursement of the previous fiscal year's property taxes on personal residences paid directly by homeowners and indirectly by renters. For renters, a payment of \$250 in property tax is assumed. Relief for homeowners and renters is based on a percentage of the property tax. This percentage varies inversely to the applicants' income levels and ranges from 4% to 96%.

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed \$33,993. Total household income consists of adjusted gross income (as computed for tax purposes) increased by nontaxable income including social security, cash public assistance, pensions and annuities (not otherwise taxable), unemployment insurance, tax-exempt interest, life insurance proceeds, gifts in excess of \$300, and worker's compensation payments. Also, the gross household income cannot exceed \$61,806. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from May 15 through August 31, inclusive. However, the FTB may accept claims through June 30 of the year following that for which assistance is claimed, given certain extenuating circumstances such as documented medical disability during the normal filing period. It takes up to 15 weeks to process a claim.

**This bill** would increase the property value amount used to calculate benefits for the homeowners assistance program from \$34,000 to \$47,600.

Also, **this bill** would increase the property tax equivalent amount for the renters' assistance from \$250 to \$350.

In addition, **this bill** would require that for the assistance provided by the department for the 2000 calendar year, the household incomes used to calculate the homeowners and renters assistance claims would be multiplied by a factor of 3.03.

Finally, the inflation adjustments would apply beginning in the 2002 calendar year, rather than the 2000 calendar year as provided under existing law.

### Implementation Considerations

Beginning May 15, 2000, the department began accepting HRA claims for the assistance provided by the department in the 2000 calendar year. Although the bill requires an increase in the claims for the 2000 calendar year, the author's staff has indicated that it was the author's intent that the household income figures be multiplied by the 3.03 factor for the 2001 calendar year, rather than the 2000 calendar year. The bill should be amended to reflect the author's intent.

Once the bill is amended, implementing this bill would not significantly impact the department's programs and operations.

### Technical Considerations

Since this bill is not a tax levy, the provisions of the bill would not become effective until January 1, 2001. Therefore, the claims received for the 2000 calendar year would have been received and paid before the bill's effective date.

### FISCAL IMPACT

#### Departmental Costs

Once the bill is amended to reflect the author's intent, this bill would not significantly impact departmental costs.

#### Tax Revenue Estimate

**The revenue estimate below is based on the author's intent, which is for the bill to impact the 2001 calendar year.**

Based on data and assumptions discussed below, additional HRA assistance is projected to be as follows:

Estimated Impact of <b>AB 2158</b> As Amended May 18, 2000 Additional Assistance Payments (In \$Millions)			
Claim Period	2001-2	2002-3	2003-4
Homeowners	\$7.5	\$9	\$10
Renters	\$32.5	\$38	\$43
T o t a l	\$40	\$47	\$53

Any possible changes in employment, personal income, or gross state product that might result from this provision are not taken into account.

#### Tax Revenue Discussion

According to departmental data for the claim period 1999-00, assistance was provided to nearly 120,000 homeowners on the order of \$16 million and over \$55 million was distributed to approximately 270,000 qualified renters.

Estimates above were based on current filers by income class and additional filers due to normal growth and an incentive effect for first-time filers. It was assumed that new limits for the assistance claims would be applied to property tax assessed for fiscal year 2000-01. It is projected that for the 2001-02 claim period, nearly 50,000 additional filers would result.

### BOARD POSITION

Pending.